# Maryland Health Services Cost Review Commission

## New All-Payer Model for Maryland Population-Based and Patient-Centered Payment Systems

## October 2014

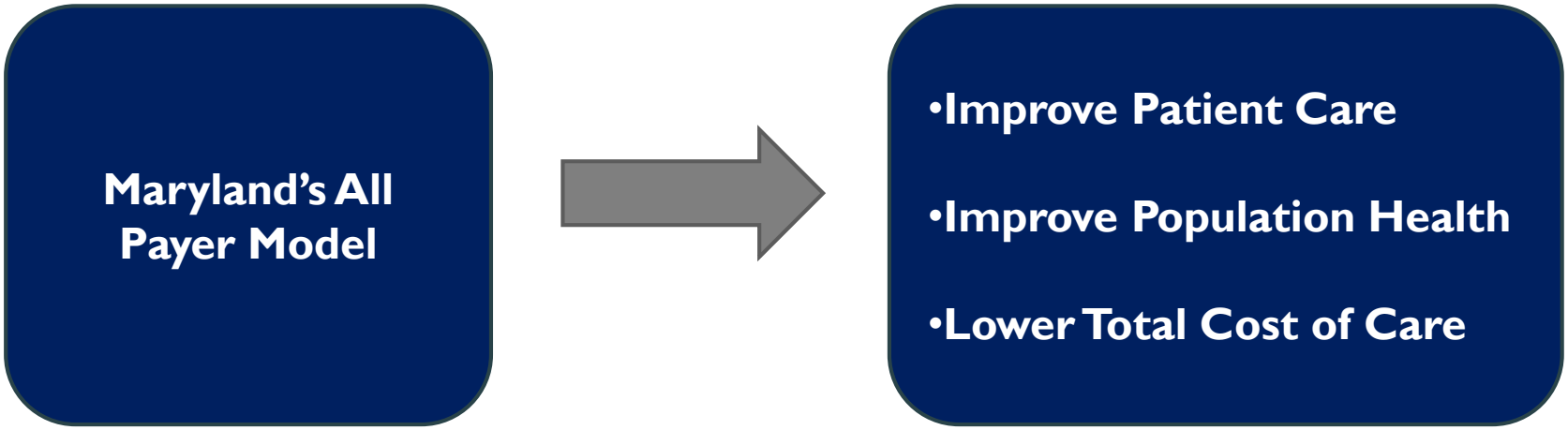
# Overview of New All-Payer Model and Global Budgets

# Approved New All-Payer Model

- Maryland is implementing a new All-Payer Model for hospital payment
  - Updated application submitted to Center for Medicare and Medicaid Innovation in October 2013
  - Approved effective January 1, 2014
- The All-Payer Model shifts focus
  - From **Medicare**, **inpatient, per admission** test
  - To an **all payer**, **total hospital** payment **per capita** test

# Shifts Focus From Providers to Patients

- Unprecedented effort to improve health and outcomes, and control costs for patients
- Gain control of the revenue budget and focus on providing the right services and reducing utilization that can be avoided with better care



# Approved Model Timeline

- Phase 1 - 5 Year Hospital Model
  - Maryland all-payer hospital model
  - Developing in alignment with the broader health care system

- Phase 2 – Total Cost of Care Model
  - Phase 1 efforts will come together in a Phase 2 proposal
  - To be submitted in Phase 1, End of Year 3
  - Implementation beyond Year 5 will further advance the three-part aim

# Approved Model at a Glance

- **All-Payer total hospital per capita revenue growth ceiling** for Maryland residents tied to long term state economic growth (GSP) per capita
  - 3.58% annual growth rate
- **Medicare payment savings** for Maryland beneficiaries compared to dynamic national trend. Minimum of $330 million in savings
- **Patient and population centered-measures** and targets to promote population health improvement
  - Medicare readmission reductions to national average
  - 30% reduction in preventable conditions under Maryland's Hospital Acquired Condition program (MHAC) over a 5 year period
  - Quality revenue at risk to equal or exceed national Medicare programs

# Focus Shifts from Rates to Revenues

## Old Model

### Volume Driven

Units/Cases

× Rate Per Unit or Case

Hospital Revenue

Unknown at the beginning of year. More units/more revenue

## New Model

### Population and Value Driven

Revenue Base Year

× Updates for Trend, Population, Value

Allowed Revenue Target Year

Known at the beginning of year. More units does not create more revenue

# Results for Phase 1--Global Budget Model

- All hospitals on global budgets
  - More than 95% of hospital revenues under global budgets
  - Key quality payment policies adapted to new model
  - Uncompensated care reductions resulting from Medicaid expansion and reduction in MHIP assessments moderated revenue changes
- On track to remain within overall 3.58% requirement for calendar year 2014, the first year of the new waiver.
  - Uncertain on Medicare savings due to data lags
- Hospital finances have stabilized and improved

# Opportunities for Success Under the New All-Payer Model

# Opportunities for Success

## Model Opportunities

- Global revenue budgets providing stable model for transition and reinvestment
- Lower use—reduce avoidable utilization with effective care management and quality improvement
- Focus on reducing Medicare cost
- Integrate population health approaches
- Control total cost of care
- Rethink the business model/capacity and innovate
- Align with physicians and other providers

## Delivery System Objectives

- Improved care and value for patients
- Sustainable delivery system for efficient and effective hospitals
- Alignment with physician delivery and payment model changes

# Reduce Avoidable Utilization By Improving Care

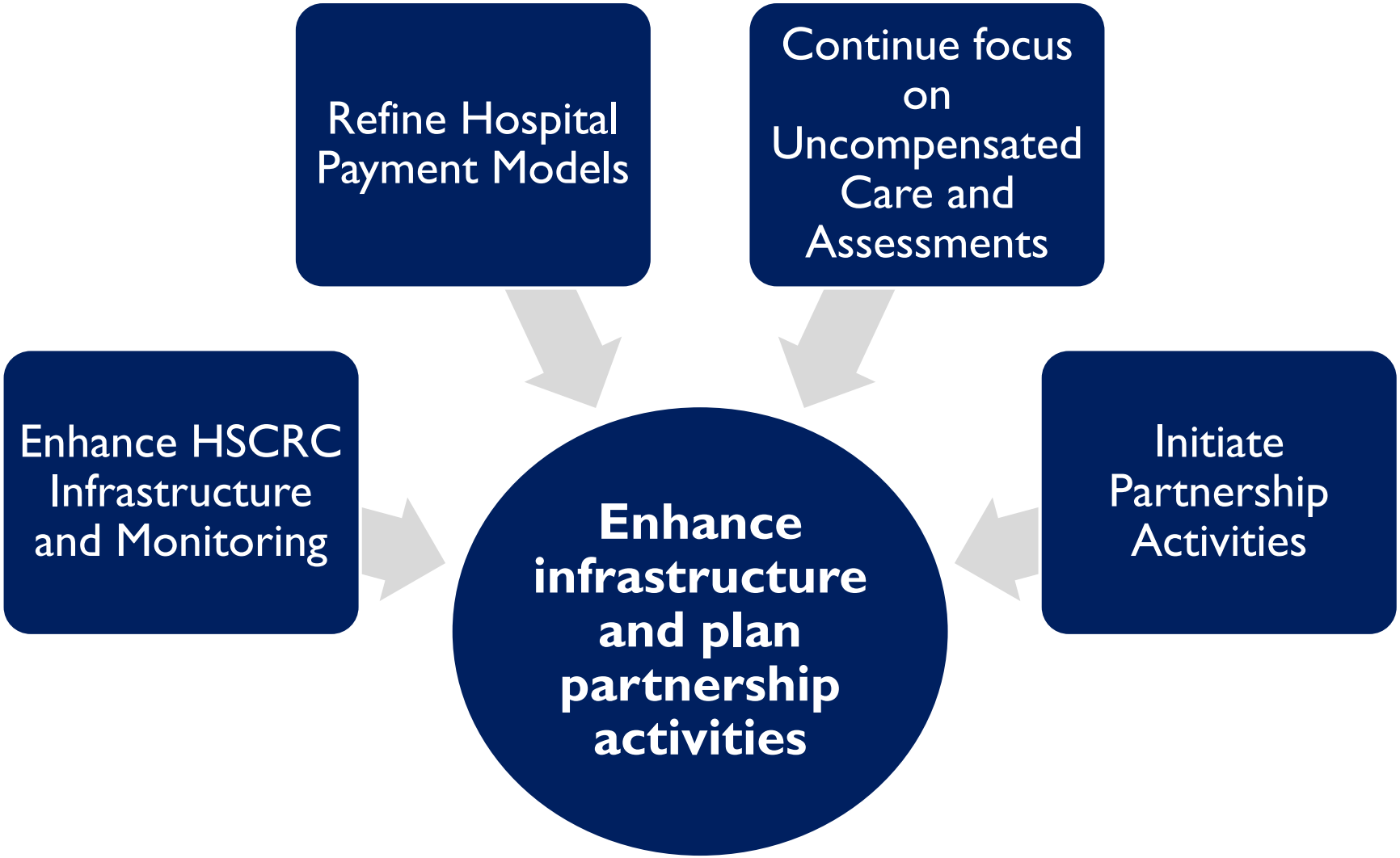
- Examples:
  - 30- Day Readmissions/Rehospitalizations
  - Preventable Admissions (based on AHRQ Prevention Quality Indicators)
  - Nursing home residents—Reduce conditions leading to admissions and readmissions
  - Maryland Hospital Acquired Conditions (potentially preventable complications)
  - Improved care coordination: particular focus on high needs/frequent users, involvement of social services

# Public Engagement

# Initial Public Engagement Process Accomplishments

- Engaged broad set of stakeholders in HSCRC policy making and implementation of new model
  - Advisory Council, 4 workgroups and 6 subgroups
  - 100+ appointees
  - Consumers, Employers, Providers, Payers, Hospitals
  - Technical White Papers – 18 Shared Publically
- Established processes for transparency and openness
  - Diverse membership
  - Access to information
  - Opportunity for comment

# Continuing implementation and planning during FY 2015

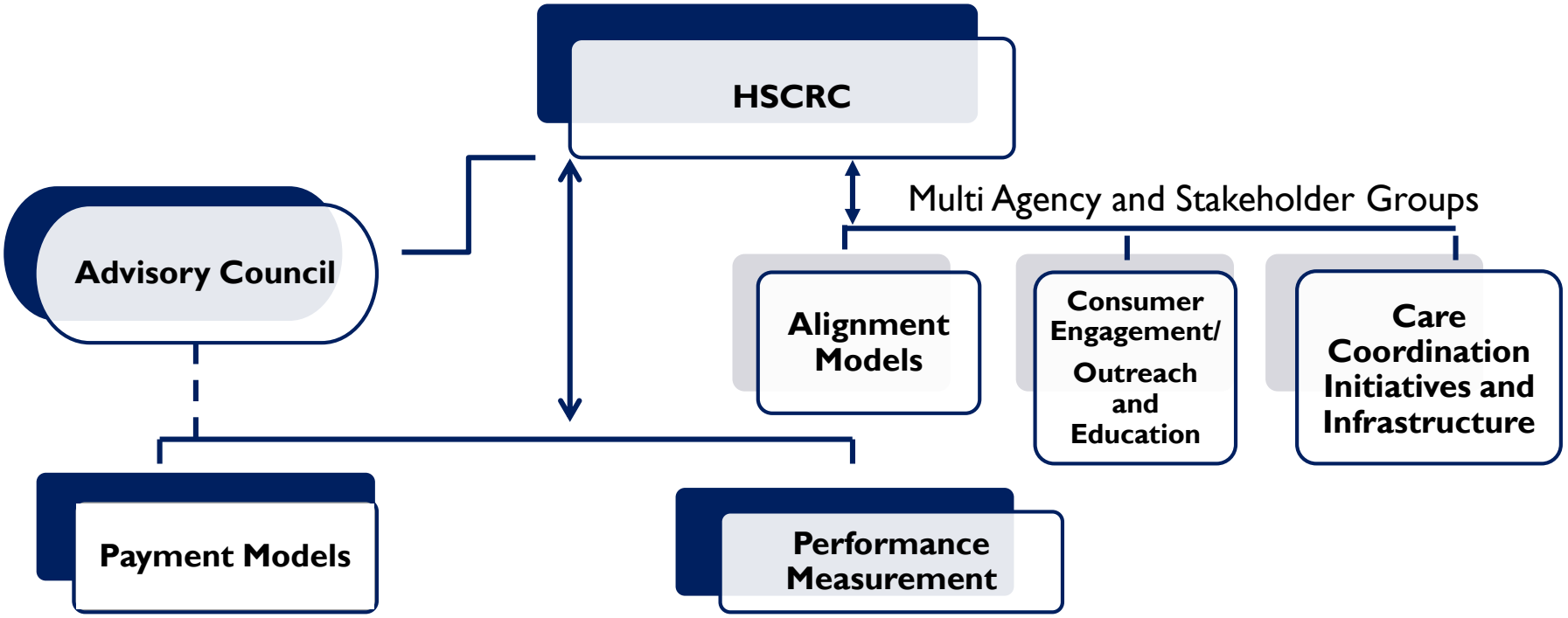


# Next Steps

HSCRC can serve as a catalyst, convener, and partner along with other State agencies and stakeholders.

- Clinical & Cost Improvement: Support selected strategies for reducing potentially avoidable utilization, practice and cost variation, and supporting high needs patients
- Physician and Other Provider Participation: Support development and implementation of alignment/engagement models
- Consumer Participation: Support consumer engagement and skill development

# Public Engagement Approach – Fall 2014




## Potential Ad Hoc Subgroups

- Transfers
- Medicaid Assessment
- Market Share
- Total Cost of Care
- Physician Alignment
- GBR Rev/Budget Corridor
- GBR Template
- GBR Infrastructure Investment Rpt
- Monitoring
- Efficiency
- LTC/Post Acute